

PUBLIC DISCLOSURE

OCTOBER 17, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DUKES COUNTY SAVINGS BANK

**78 MAIN STREET
EDGARTOWN, MA 02539**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

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| <p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p> |
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **DUKES COUNTY SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **OCTOBER 17, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated “ Satisfactory ”

The bank's rating is based upon the four performance criteria analyzed in this report. The loan-to-deposit ratio has averaged 84.4% for the period September 30, 1999, to September 30, 2001. The ratio has increased from the average of 75.6% during the last examination on September 14, 1999. A review of the bank's origination of residential mortgage loans from January 1, 2000, through year-to-date October 12, 2001, revealed that all the loans were extended within the assessment area. The geographic distribution reflects a good penetration throughout the assessment area and is proportionate to the assessment area's demographics. The distribution of loans to borrowers of different income levels represents a good penetration in accordance with the demographic composition of the assessment area. In addition, the bank participates in loan programs designed to assist low and moderate-income individuals. No CRA-related complaints have been received since the last examination. The fair lending examination revealed no evidence of discriminatory acts or practices.

PERFORMANCE CONTEXT

Description of Institution

Dukes County Savings Bank is a state-chartered mutual savings institution incorporated in 1955 to serve the various credit and savings needs of individuals and businesses on the Island of Martha's Vineyard.

As of the September 30, 2001 Dukes County Savings Bank had total assets of \$208,239,000. Of these assets, \$139,759,000 or 67.1 percent were in the form of loans (gross). The following table reflects Dukes County Savings Bank's loan portfolio (by percentage) as of September 30, 2001.

Table 1
Loan Portfolio Composition

| Loan Type | Amount (000s) | Percent |
|-----------------------------------|----------------------|----------------|
| First Mortgage (1-4 family) | \$113,619 | 81.3 |
| Construction and Land Development | \$10,698 | 7.7 |
| Commercial Real Estate | \$7,940 | 5.7 |
| Consumer Loans | \$3,649 | 2.6 |
| Second Mortgage (1-4 family) | \$2,834 | 2.0 |
| Equity Lines of Credit | \$510 | 0.4 |
| Commercial and Industrial | \$509 | 0.3 |
| Total Gross Loans | \$139,759 | 100.0 |

Source: September 30, 2001 Consolidated Report of Condition

Dukes County Savings Bank is headquartered at 78 Main Street, Edgartown, Massachusetts. Office hours are convenient and appear to be accessible to all segments of the assessment area. Office hours are Monday through Friday from 8:30 a.m. to 3:00 p.m. and Saturday from 9:00 a.m. to 12:00 p.m. The bank also operates four banking offices on the Island of Martha's Vineyard in the Towns of West Tisbury, Edgartown, Vineyard Haven and Oak Bluffs. These offices are open from 8:30 a.m. to 5:00 p.m. Monday through Friday as well as from 9:00 a.m. till 12:00 p.m. on Saturday. The bank operates a Trust Department office located near its West Tisbury branch. The Oak Bluffs branch, 4 Uncas Avenue, opened in July of 2000 and is the only new branch to open since the last examination. The bank has not closed any branches since the previous examination.

Dukes County Savings Bank offers a full range of credit and deposit services including checking accounts, ATM cards (linked to NYCE & Cirrus networks), savings accounts and certificates of deposit. The bank's primary focus continues to be single family residential lending. The bank also offers other loan products including home improvement loans, equity lines of credit, commercial loans, and passbook loans.

Competition comes from several financial institutions within its assessment area. These financial institutions include, but are not limited to, the following: Martha's Vineyard Cooperative Bank; Edgartown National Bank; Compass Bank, as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

There appears to be no financial or legal impediments that would limit the bank's ability to meet the credit needs of the assessment area. Dukes County Savings Bank's performance under the Community Reinvestment Act (CRA) was assigned a "Satisfactory" CRA rating at the previous FDIC examination dated September 14, 1999. The Commonwealth of Massachusetts Division of Banks assigned a rating of "High Satisfactory" at the examination dated November 12, 1997.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank has defined its assessment area as the Island of Martha's Vineyard in Dukes County, Massachusetts. The Island of Martha's Vineyard consists of six towns, Edgartown, Chilmark, Gay Head, Oak Bluffs, Tisbury, and Vineyard Haven. The six towns are divided into four census tracts, all of which are categorized as middle-income.

According to 1990 US Census Data, these six communities have a combined population of 11,639 and a total of 11,604 housing units. Of the total housing units, 3,583, or 30.9 percent are owner occupied, 1,420 or 12.2 percent are rental units, and 6,601, or 56.9 percent are vacant housing units. Martha's Vineyard is a popular summer resort and experiences a large influx of vacationers during which time the population grows in excess of 100,000 people according to estimates published by the Martha's Vineyard Commission. It is this seasonal population that contributes to the low percentage of owner-occupied units and the high percentage of vacant units.

There are 5,076 households in the assessment area. A household is defined as all persons occupying a housing unit. Of the total households, 2,977 are families with a median family income of \$50,500. In addition, 446, or 8.8 percent of the total number of households in the assessment area live below the poverty level. This economic data pertains to year-round residents.

The median housing value for the assessment area is \$191,433. This figure is based on 1990 housing data. A more accurate figure was obtained using the real estate periodical Bankers and Tradesman. According to the October 18, 2001 publication, the median housing values for Dukes County was \$378,000. This figure represents a 17.9 percent increase over the estimated value of a home in Year 2000.

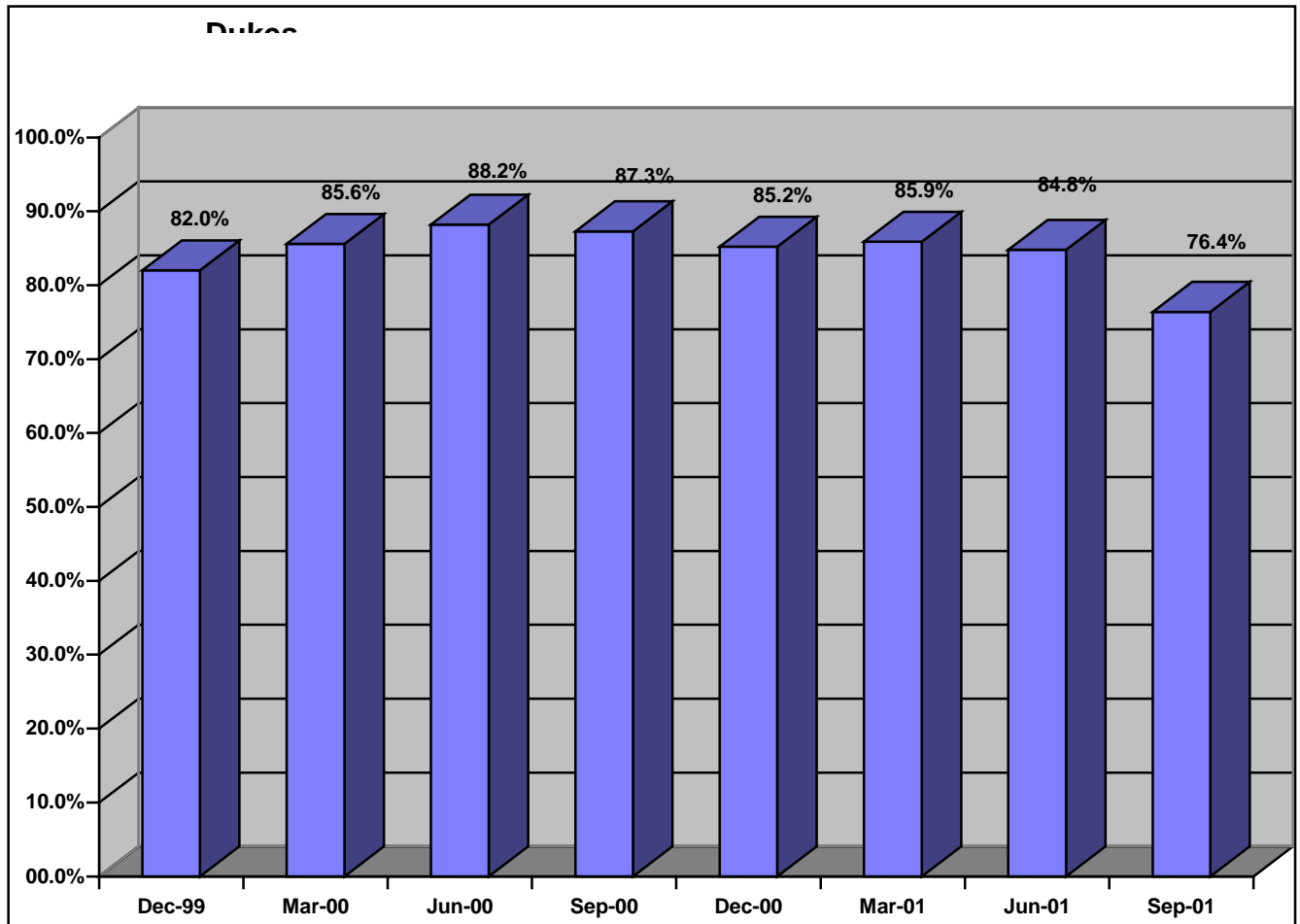
Martha's Vineyard is an island twenty miles long and ten miles wide situated five miles south of the southwest tip of Cape Cod. Nantucket Sound borders the island on the northeast, the Atlantic Ocean on the South and Vineyard Sound on the northwest. Edgartown is the largest town in land area with 27 square miles. Ferry service links Martha's Vineyard with the Massachusetts mainland. Air transportation is available to Martha's Vineyard.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the following, Dukes County Savings Bank's average net loan to deposit ratio appears to be reasonable and, as such, is determined to meet the standards for satisfactory performance.

An analysis of Dukes County Savings Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Financial Institutions Examination Council (FFIEC) Call Report data for the quarters beginning December 31, 1999 through September 30, 2001. The bank's average net loan to deposit ratio for this time period was determined to be 84.4 percent. The following chart indicates a strong ratio trend during the period. This pattern started with the quarter ending December 31, 1999 and reached its highest level at quarter ending June 30, 2000 with a LTD ratio of 88.3 percent. As of September 20, 2001 the ratio stood at 76.4 percent. According to bank management, the reason for the recent decline in the loan-to-deposit ratio is the economic uncertainty facing the region as well as business strategy. During the period reviewed, loans increased by 14.9 percent while total deposits increased by 23.3 percent. Loan growth of \$18.0 million was again dominated by strong residential loan demand. The bank has experienced significant asset growth over this same time period. The bank's assets have grown from \$171 million as of December 31, 1999 to its current level of \$208.2 million. This represents a 21.5 percent increase in the asset size of the institution. The following table details the loan-to-deposit ratio over the time period reviewed.



Based on the above information and Dukes County Savings Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Dukes County Savings Bank's 2000, and year-to-date October 12, 2001 loan data was reviewed to determine the amount of credit extended within the bank's assessment area. Given its location outside of a metropolitan statistical area, the bank is not required to report under the Home Mortgage Disclosure Act. The bank is primarily a residential mortgage lender and maintains information regarding its lending in an automated mortgage loan system. Loan data represents mortgage loans secured by residential 1-to-4 family real estate regardless of loan purpose.

During this period, the bank originated 463 loans totaling approximately \$68,779,302. All of the loans were originated on Martha's Vineyard within the assessment area.

By number, Edgartown accounted for the largest number of originations with 41.7 percent. Edgartown also accounted for the largest dollar volume of originations with 40.7 percent.

Refer to the following tables for additional information regarding the bank's lending, by both number and dollar amount.

Loans by Number of Originations

| Location | 2000 | | YTD-2001 | | Totals | |
|--------------------------------|------------|--------------|------------|--------------|------------|--------------|
| | # | % | # | % | # | % |
| Edgartown | 106 | 40.9 | 87 | 42.6 | 193 | 41.7 |
| W. Tisbury, Gay Head, Chilmark | 56 | 21.6 | 45 | 22.1 | 101 | 21.8 |
| Oak Bluffs | 53 | 20.5 | 35 | 17.2 | 88 | 19.0 |
| Tisbury (Vineyard Haven) | 44 | 17.0 | 37 | 18.1 | 81 | 17.5 |
| Inside Assessment Area | 259 | 100.0 | 204 | 100.0 | 463 | 100.0 |
| Outside Assessment Area | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 259 | 100.0 | 204 | 100.0 | 463 | 100.0 |

Source: Dukes County Savings Bank loan reports

Loans by Dollar Amount of Originations

| Location | 2000 | | YTD-2001 | | Totals | |
|--------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | \$(000) | % | \$(000) | % | \$(000) | % |
| Edgartown | 13,954 | 40.0 | 14,013 | 41.3 | 27,967 | 40.7 |
| W. Tisbury, Gay Head, Chilmark | 8,485 | 24.4 | 8,373 | 24.7 | 16,858 | 24.5 |
| Tisbury (Vineyard Haven) | 5,707 | 16.4 | 8,472 | 25.0 | 14,179 | 20.6 |
| Oak Bluffs | 6,698 | 19.2 | 3,077 | 9.0 | 9,775 | 14.2 |
| Inside Assessment Area | 34,844 | 100.0 | 33,935 | 100.0 | 68,779 | 100.0 |
| Outside Assessment Area | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 34,844 | 100.0 | 33,935 | 100.0 | 68,779 | 100.0 |

Source: Dukes County Savings Bank loan reports

As indicated in the tables above, all of the loans originated in 2000, and year-to-date 2001 were inside the bank's assessment area. The bank's volume of lending, and its consistent rating of second place in mortgage lending on the island, based on Bankers and Tradesman demonstrates the bank's commitment to meeting the credit needs of its assessment area.

Based upon the above information, it is evident that all of the bank's loans have been extended within its assessment area by number and dollar volume. The institution's level of lending within its assessment area exceeds the standards of satisfactory performance.

3. DISTRIBUTION OF LOANS BY CENSUS TRACT INCOME LEVEL

The purpose of reviewing the bank's geographic distribution of loans is to assess how well the bank has addressed the credit needs of the assessment area's low, moderate, middle and upper-income census tracts. Dukes County Savings Bank's assessment area consists exclusively of middle-income census tracts. Hence, a limited geographic analysis was conducted.

The following table provides a breakdown, by number, of the bank's loans within its assessment area by census tract classification. The table also shows the number of loans in comparison to the number of owner-occupied properties in this tract

**Distribution of Loans within the Assessment Area by
Census Tract Income Level**

| Census Tract Income Level | Owner-Occupied Properties | | 2000 | | YTD 2001 | | Total | |
|------------------------------|------------------------------|--------|------|--------|----------|--------|-------|--------|
| | # | % | # | % | # | % | # | % |
| Middle | 3,583 | 100.0% | 259 | 100.0% | 204 | 100.0% | 463 | 100.0% |

Source: Dukes County Savings Bank loan reports, 1990 census data

4. BORROWER CHARACTERISTICS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family income for the Non Metropolitan Statistical Areas (MSAs). The income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated income for non-MSAs for 2000 and 2001 was \$48,000, and \$50,500 respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group.

| Distribution of Loans by Borrower Income | | | | | | | |
|--|---------------------|------|--------|------|--------|-------|--------|
| Median Family Income Level | % Total House holds | 2000 | | 2001 | | Total | |
| | | # | % | # | % | # | % |
| <i>Low</i> | 21.1% | 5 | 1.9% | 9 | 4.4% | 14 | 3.0% |
| <i>Moderate</i> | 14.5% | 20 | 7.7% | 18 | 8.8% | 38 | 8.2% |
| <i>Middle</i> | 23.4% | 53 | 20.5% | 42 | 20.6% | 95 | 20.5% |
| <i>Upper</i> | 41.0% | 178 | 68.7% | 130 | 63.7% | 308 | 66.5% |
| <i>NA</i> | - | 3 | 1.2% | 5 | 2.5% | 8 | 1.8% |
| Total | 100.0% | 259 | 100.0% | 204 | 100.0% | 463 | 100.0% |

Source: Dukes County Savings Bank loan reports, 1990 Census data

In Year 2000 and year-to-date October 12, 2001 the bank extended 14 loans to low-income borrowers representing 3.0 percent of the total loans within the assessment area. This percentage falls well below the 21.1 percent of low-income households within the assessment area. In addition, the bank extended 38 loans to moderate-income borrowers, representing 8.2 percent by number, which is lower than 14.5 percent of the moderate-income households residing within the assessment area. Although the percentage of loans to low and moderate-income borrowers is less than the percentage of low and moderate-income households in the area, the number of loans is good considering the prohibitively high cost of homeownership on Martha's Vineyard.

The majority of loans were made to upper-income borrowers. This is consistent with the high percentage of upper-income borrowers as well as the strong loan demand from borrowers in this income category.

As suggested earlier, the high cost of housing on Martha's Vineyard presents a stumbling block to the origination of a larger portion of loans to low and moderate-income borrowers. As a result, the bank participates in several loan programs to help increase lending to borrowers of limited means and to make housing more affordable.

The bank offers a first-time homebuyer program for loans up to \$150,000. The program features reduced closing costs, no application fee, and a fixed interest rate for up to a 30-year term. During 2000, the bank originated 7 loans totaling \$868,000. As of October 12, 2001, the bank originated 5 loans for \$795,000.

The bank also participates in the Dukes County Resident Homesite Program. The program provides applicants who meet certain income guidelines with a chance to obtain affordable housing lots through a town lottery. The bank provides fixed-rate financing for the construction costs and a portion of the land purchase price. Dukes County Savings Bank is the primary lender on the island for the program. The bank originated 2 loans totaling \$236,000 during the review period.

Based on the information above, the bank's lending to borrowers of different income levels including those of low and moderate-income and the bank's participation in flexible lending programs meets the standards for satisfactory performance.

FAIR LENDING POLICIES AND PRACTICES

A thorough review of Dukes County Savings Bank's public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

All employees are provided with training appropriate to their job description and their responsibilities in fair lending issues. This includes information regarding both technical requirements that as well as issues related to unintentional discrimination and quality of assistance. This training includes counseling for borrowers who need financial assistance.

The bank currently employs 57 full-time personnel. The composition of the bank's staff appears to adequately reflect the demographics of the assessment area. In addition, the bank has two bilingual employees who are able to assist non-English speaking customers. Bank employees are available to assist customers with potential problems or questions concerning their credit situation. The bank refers customers experiencing problems with their loans to the appropriate credit counseling service in the area.

The bank's second review practice consists of a second look at all applications that are slated for denial. The second review is conducted by a loan officer or others experienced in credit underwriting who have no involvement with the original application

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. From January 1, 2000, through October 12, 2001, the bank originated 463 residential loan applications from within its assessment area. For applicants who provided government monitoring information (73.9 percent), the bank originated 19 loans or 4.1% to minorities. Refer to the following table for further details.

The bank's minority application flow was compared with the racial make-up of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 Census Data, the bank's assessment area contained a total population of 11,639 individuals of which 8.1% are minorities. The minority population is 0.7% Hispanic, 4.2% Black, 0.4% Asian, 2.4% American Indian and 0.4% Other.

The bank's minority application flow appears lower than the racial composition of its assessment area.

Dukes County Savings Bank Residential Application Flow

| | 2000 | | 2001-YTD | | TOTALS | |
|---------------------------|-------------|--------------|-----------------|--------------|---------------|--------------|
| RACE | # | % | # | % | # | % |
| Native American | 1 | 0.4 | 0 | 0.0 | 1 | 0.2 |
| Asian | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Black | 1 | 0.4 | 6 | 2.9 | 7 | 1.5 |
| Hispanic | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Joint Race | 0 | 0.0 | 4 | 2.0 | 4 | 0.9 |
| Other | 5 | 1.9 | 2 | 1.0 | 7 | 1.5 |
| TOTAL MINORITY | 7 | 2.7 | 12 | 5.9 | 19 | 4.1 |
| White | 166 | 64.1 | 157 | 77.0 | 323 | 69.8 |
| NO INFO | 86 | 33.2 | 35 | 17.1 | 121 | 26.1 |
| TOTAL APPLICATIONS | 259 | 100.0 | 204 | 100.0 | 463 | 100.0 |

Due to the large number of applicants who were not required to disclose government monitoring information on non-primary residential transactions, a final conclusion on the bank's minority lending performance could not be made other than to show that it is lower than the racial make-up of the assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

DUKES COUNTY SAVINGS BANK

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 17, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area ;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.